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# TARIFF PROVISIONS FOR PROMOTION OF FOREIGN TRADE OF THE UNITED STATES

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The present agitation in favor of tariff revision is based primarily upon the necessity of increasing the foreign market for the American surplus. First, there is a growing surplus of manufactured products which is obliged to seek a greater market in South America, Oceanica, Africa, foreign North America and the non-manufacturing countries of Europe. Second, there is a surplus of agricultural produce which has greater difficulty than formerly in finding a foreign market. Third, the task of the American exporter has become greater because of the increasing foreign competition, and the almost universal tendency of foreign nations toward greater stringency in tariff legislation.

The tariff question to-day is pre-eminently a matter of foreign commerce. Consequently it is of practical interest to analyse those provisions which were inserted into the tariff laws of the United States for the purpose of promoting foreign commerce, and to determine their relative importance. An examination of the section relating to foreign commerce in the various tariffs of the United States [Table I] will show that such provisions may be divided into (1) those designed to promote the Oriental trade, (2) shipping protection, (3) shipping reciprocity, (4) reciprocity treaties and agreements, and (5) miscellaneous provisions.

TABLE I.

## *Tariff Provisions Intended to Promote Foreign Commerce.*

<i>Year.</i>	<i>Provision.</i>
July, 1789*.....	Sec. 1.—Reduced duty on tea from India and China in American vessels.
	Sec. 4.—Ten per cent discount on imports in American vessels.
August, 1790 .....	Sec. 1.—Reduced duty on tea from India and China in American vessels.
	Sec. 2.—Ten per cent discount on imports in American vessels.

<i>Year.</i>	<i>Provision.</i>
March, 1791*.....	Sec. 4.—Bounty on dried and pickled fish and salted provisions.
May, 1792*.....	Sec. 5.—Ten per cent discount on imports in American vessels.
June, 1794*.....	Sec. 4.—Ten per cent increase on imports in foreign vessels.
January, 1795*.....	Sec. 5.— <i>Ibid.</i>
March, 1797*.....	Sec. 3.— <i>Ibid.</i>
July, 1787*.....	
May, 1800*.....	Sec. 3.— <i>Ibid.</i>
March, 1804*.....	Sec. 3.— <i>Ibid.</i>
March, 1804*.....	Sec. 3.— <i>Ibid.</i>
	Sec. 6.—Tonnage duty of 50 cents ("light money") on foreign vessels.
March, 1805.....	Sec. 1.—Sec. 6 of May, 1804, defined.
July, 1812*.....	Sec. 2.—Ten per cent increase on imports in foreign vessels.
	Sec. 3.—Light money increased to \$1.50.
January, 1813.....	Sec. 2.—Ten per cent increase on imports in foreign vessels.
March, 1815†.....	Sec. 1.—Ten per cent discrimination repealed in direct trade with nations granting reciprocal privileges.
February, 1816*...	
April, 1816*.....	Sec. 3.—Ten per cent increase on imports in foreign vessels except where otherwise provided by law or treaty.
January, 1817†....	Sec. 2.—Tonnage duty of \$2 against vessels of nations barring American vessels.
April, 1818.....	Sec. 24.—Export bonding regulations.
April, 1818*†.....	
March, 1819†.....	
April, 1820*.....	
May, 1820.....	Sec. 1.—Tonnage duty of \$18 on French vessels.
May, 1822†.....	Sec. 1.—President to negotiate relative to shipping in the British West India trade.
	Sec. 2.—French tonnage discrimination to be suspended upon suitable arrangements by the President.
March, 1823.....	Sec. 1-4.—French tonnage discriminations suspended.
January, 1824†	Sec. 4.—President may grant reciprocal tonnage favors to certain nations.
May, 1824†.....	
May, 1828*†.....	Sec. 1.—Ten per cent discrimination repealed in indirect trade with nations granting reciprocal privileges.
May, 1830*.....	
July, 1832†.....	Sec. 3.—Further extension of reciprocal tonnage favors.
July, 1832*†.....	Sec. 3.—Eastern teas and various tropical goods in American vessels on free list.
September, 1841*..	
August, 1842*†..	Sec. 9.— <i>Ibid.</i>
	Sec. 11.—Ten per cent discrimination against foreign vessels in Eastern trade.
July, 1846*.....	Sched. I.—Coffee and tea on free list in American or foreign vessels entitled to reciprocity.
May, 1848.....	Sec. 1.—Coast vessels may do a limited foreign trade.
November, 1855 ..	Canadian Reciprocity Treaty.

<i>Year.</i>	<i>Provision.</i>
March, 1857 .....	Sec. 3.—Sched. I of July, 1846, on tea and coffee re-enacted.
March, 1861*.....	Sec. 23.— <i>Ibid.</i>
	Sec. 27.—Re-export bonding of railroad iron.
August, 1861‡.....	Sec. 4.—Ninety per cent re-export drawback.
July, 1862 .....	Sec. 14.—Ten per cent additional duty on eastern cargoes shipped from west of Good Hope.
March, 1863*.....	Sec. 1.—Bonding regulations.
	Sec. 2.—Sec. 14 of July, 1862, suspended.
January, 1864.....	Commercial treaty with Japan.
June, 1864‡.....	Sec. 18.—Sec. 14 of July, 1862, re-enacted, except on certain goods
July, 1866 .....	Sec. 2.—Vessels in Hawaiian trade pay tonnage once annually.
February, 1867 ...	Commercial treaty with Madagascar.
May, 1871 .....	Treaty with Great Britain and Canada.
June, 1872* .....	
October, 1872.....	Sec. 1.—Shipping reciprocity with France in indirect trade suspended.
March, 1873 .....	Sec. 1.—Fish oil, fish, etc., admitted free from Canada.
	Sec. 3-4.—Regulation of Canadian transit trade.
February, 1873...	Sec. 1.—Act of October, 1872, relative to French vessels annulled.
September, 1876..	Hawaiian Reciprocity Treaty.
May, 1882 .....	Sec. 1.—Discrimination on eastern goods from west of Good Hope removed.
December, 1882...	Sec. 1.—Discrimination on eastern goods from west of Good Hope reimposed, except on cotton and silk.
March, 1883*‡....	Sec. 2497.—No imports from nations barring American vessels, except in American or foreign vessels entitled to reciprocity.
June, 1884* .....	
1884 .....	Tonnage Act.
1886 .....	Tonnage Act amended.
November, 1887...	Hawaiian Reciprocity Treaty renewed.
October, 1890‡§....	McKinley Act:
	Sec. 3.—Reciprocity provision.
	Sec. 15-16.—Free lumber from St. John and St. Croix Rivers.
	Sec. 18-19.—Sec. 2497 of March, 1883, re-enacted.
	Sec. 25.—Ninety-nine per cent re-export drawback.
December, 1890...	Sec. 1.—Rebate on tobacco in certain instances.
March, 1891 .....	McKinley Act not to impair Hawaiian Treaty.
July, 1892 .....	An act to enforce the Canadian treaty.
August, 1892 .....	Sec. 1.—Retaliatory measure to enforce Canadian treaty.
August, 1894‡.....	Wilson Act:
	Sec. 7.—Articles for building ships in foreign trade free.
	Sec. 8.—Articles for repairing ships in foreign trade free.
	Sec. 9.—Regulations for bonding cargoes.
	Sec. 15.—Sec. 2497 of March, 1883, re-enacted.
	Sec. 22.—Ninety-nine per cent re-export drawback.
July, 1897‡§.....	Dingley Act:
	Sec. 3.—Reciprocity agreements.
	Sec. 4.—Reciprocity treaties.
	Sec. 12.—Sec. 7 of Wilson Act renewed.
	Sec. 13.—Sec. 8 of Wilson Act renewed.

<i>Year.</i>	<i>Provision.</i>
	Sec. 15-16.—Regulations for bonding cargoes.
	Sec. 20-21.—Provisions as to St. John and St. Croix lumber.
	Sec. 30.—Ninety-nine per cent re-export drawback.
	Sec. 491.—Binding twine not on free list if the American product is charged a duty.
	Sec. 626.—Petroleum not on free list if the American product is charged a duty.
	Sec. 675.—Sulphuric acid not on free list if the American product is charged a duty.
July, 1897.....	Sec. 1.—Partial shipping reciprocity may be granted in return for partial shipping rights.
December, 1903...	Cuban Reciprocity Treaty.

\*Re-export drawbacks on certain articles under prescribed regulations.

†For application of this law to different nations, see Table II.

‡Ten per cent discrimination against foreign vessels, except where otherwise provided by law or treaty.

§For application of reciprocity provisions, see Table III.

*The Oriental Trade.*—Immediately after the Revolutionary War there began a period of brisk foreign commerce, in which the American merchants sought to trade direct with markets formerly reached through Great Britain and Europe. In 1784<sup>1</sup> the direct trade with China commenced, and at about the same time American East-Indiamen began their first voyages.<sup>2</sup> In 1780, with the first tariff law enacted by the national government, began a series of provisions which so stimulated this Oriental trade as to make it an important factor throughout the early commercial life of America.<sup>3</sup> This law imposed a duty on tea direct from India and China, in American vessels, ranging from 6 to 20 cents per pound; but on tea from Europe the duty ranged from 8 to 26 cents, and on tea in foreign vessels from 15 to 45 cents per pound. Likewise, all other Oriental products imported in foreign vessels were obliged to pay a duty or 12.5 per cent ad valorem, or almost twice the rate levied on imports in American vessels. Even as late as 1830 provisions similar to these were re-enacted in subsequent tariff laws.

Largely because of these tariff provisions, the Oriental trade rapidly became an important factor in the commerce of Salem, Boston, New York, Providence, Philadelphia and Baltimore. It resulted in the establishment of various manufacturing industries,

<sup>1</sup>U. S. Monthly Summary of Commerce and Finance, June, 1901.

<sup>2</sup>Pitkin's Statistics, p. 185.

<sup>3</sup>Marvin, American Merchant Marine, p. 40.

such as silk spinning and finishing and the production of morocco leather,<sup>4</sup> and "laid the foundation of those great fortunes which constitute the origin of the wealth of so many of the older New England families."<sup>5</sup> The favorable tariffs were taken advantage of especially by the Massachusetts merchants, who "brought back immense quantities of tea, spices, sugar, coffee, silks, nankeen and other cloths,—all of them of great value in proportion to their bulk and therefore yielding heavy profits in the carrying trade; and whatever did not find a market at home was reshipped from New England ports and sold at Hamburg or Northern Europe. It may be said that the marked commercial feature of the period was the development of this trade."<sup>6</sup>

The intent of these laws was (1) to increase the trade with the East; (2) to confine it to American vessels; and both of these aims were successfully effected. But the importance of this legislation from the standpoint of modern tariff revision is considerably dimmed by the difference in commercial needs. The demand throughout this early trading was for the direct importation of Oriental products; while the demand to-day, as regards the Far East is for the development of a vast market for the growing American surplus.

*Protection to Shipping.*—The second group of tariff provisions which was an appreciable factor during the early growth of American foreign commerce provided for protection to American shipping. Under the law of 1789 imports in American vessels received a discount of 10 per cent below the general tariff rates. In 1794, however, this was changed so that imports in foreign vessels were obliged to pay an increase of 10 per cent. In this form, the protection to shipping was maintained until 1815, when its "outer garments" were removed by the introduction of shipping reciprocity in the direct trade with foreign nations, and it was still further weakened in 1828 when the President was authorized to suspend it also in the indirect trade with all nations which would reciprocate. Thereafter, the 10 per cent discrimination against foreign vessels was repeatedly re-enacted in practically all subsequent tariff laws of importance and it appears even in the Dingley act, but after 1828

<sup>4</sup>Report of Sec. Chase, p. 35.

<sup>5</sup>Soley, *Marine Industries of America*.

<sup>6</sup>*Ibid.*

the provision applies only to those foreign vessels which by law or treaty are not entitled to shipping reciprocity.

In the early tariff laws, American shipping was further protected by discriminatory tonnage duties. The law of 1804 levied a "light money" tax of 50 cents per ton on foreign vessels, and in 1812 this was increased to \$1.50. The identical law of 1815, however, which was above mentioned, sounded also the death knell of this form of shipping protection in the direct foreign trade. Though in exceptional instances discriminating tonnage duties were thereafter increased, reciprocity steadily gained ground. In 1817 tonnage duties were further increased in the case of nations barring American vessels, and occasionally exorbitant taxes were imposed upon vessels of particular nations, such as the duty of \$18 against French vessels in 1820, but their intent was to enforce shipping reciprocity and not to protect American vessels. As in the case of discriminating tariffs on commodities, so provision was made in 1828 for the removal of discriminating tonnage duties in all foreign trade, indirect as well as direct. Finally, in 1832, the President was given definite authority to reciprocate in the matter of hostile tonnage duties. The present law, passed in 1884 and amended in 1886, imposes a duty of three cents per ton—but not exceeding fifteen cents annually—upon all vessels entering from foreign ports of North America, Central and South America, the West Indies and the Bahamas, and of six cents per ton—but not exceeding thirty cents annually—upon vessels from the ports of other nations. It further provides that the President shall suspend so much of this duty as may be in excess of the duty imposed upon American vessels in any given port.

The effect of protection to American shipping was decidedly stimulating. In 1789 the American merchant marine carried 17.5 per cent of the imports and 30 per cent of the exports; five years later these proportions were 90 and 88 per cent, respectively. The importance of the American merchant marine increased until the War of 1812, when all trade declined; but by 1820 it again carried 90 per cent of the imports and 80 per cent of the exports. Though the absolute tonnage of American vessels engaged in the foreign trade reached its climax in 1861, with a total of 2,496,894 tons, their relative position began to decline in the later 30's. In 1905 the absolute tonnage of the American merchant marine was 954,513,

and it carried but 14.3 per cent of the imports and 7.5 per cent of the exports.<sup>7</sup>

The remarkable growth of the merchant marine during the period of shipping protection was due partly to the natural advantages for ship-building and its later decline largely to the disappearance of these advantages with the advance of steam navigation, the use of steel in the ship-building industry and the rise of more profitable fields for the investment of American capital. But the stimulating influence of shipping protection was clearly recognized.

*Shipping Reciprocity.*—As was noted above the first blow to shipping protection was delivered in 1815, when provision was made to remove it in the direct trade with foreign nations, and the second in 1828, when similar provision was made for the indirect trade. Although the effect of this liberal legislation was disastrous to American shipping, its intent was to promote both the shipping industry and foreign commerce. The belief was prevalent that the American merchant marine was then so firmly entrenched that, if shipping reciprocity were established with foreign nations it would destroy foreign shipping in the American trade.<sup>8</sup> It was held that as long as American tariffs granted protection to shipping, foreign nations would continue to levy hostile tariffs against American vessels and prevent their successful competition. In 1828 Senator Levi Woodbury, of New Hampshire, for example, said: "By this bill we now hold out the olive branch to all. If our terms are accepted, we may obtain most of the transportation now enjoyed by foreigners in the eight or ten hundredths of our foreign tonnage; as they are now enabled to compete with us to that extent, chiefly by the discrimination they enjoy at home."<sup>9</sup>

The extension of the provisions for shipping reciprocity with the various foreign nations is indicated in Table II.

At various times reciprocity was suspended to favor particular nations, but only temporarily, and for the purpose of further removing foreign restrictions against American vessels. For example, in 1872 it was suspended in the case of French vessels in the indirect trade, but after France had removed her discriminations it was at once re-enacted.

<sup>7</sup>U. S. Commerce and Navigation Reports. Per cents for 1904.

<sup>8</sup>Bates, p. 118.

<sup>9</sup>In Soley, *The Maritime Industries of America*, p. 540 of Shaler's *Hist. of the U. S.*, Vol. I.

TABLE II.

*Extension of Shipping Reciprocity.*<sup>10</sup>

<i>Nation.</i>	<i>Year.</i>	<i>Nation.</i>	<i>Year.</i>
Partial Reciprocity.		Full Reciprocity.	
Great Britain .....	1816	Mecklenberg and Schwerin*	1847
Holland .....	1817	Mexico .....	1848
Norway-Sweden .....	1818	New Grenada .....	1848
France .....	1823	Great Britain .....	1849
Holland, Prussia, Lubec, Hamburg, Bremen, Nor- way, Oldenburg, Sardinia, Russia, Denmark .....	1826	Guatemala and Costa Rica..	1852
Central America .....	1826	Salvador .....	1852
Norway-Sweden* .....	1828	Peru .....	1852
Great Britain* .....	1828	Holland* .....	1853
Martinique and Guadeloupe.	1828	Argentina .....	1854
Brazil .....	1828	Sicily .....	1856
Prussia .....	1829	Papal States .....	1858
Full Reciprocity.		Denmark* .....	1858
British North America and West India .....	1830	Belgium .....	1859
Austro-Hungary .....	1831	Paraguay .....	1860
Spain .....	1832	Venezuela .....	1861
Mexico .....	1832	Ottoman Porte .....	1862
Russia .....	1832	Bolivia .....	1862
Mecklenburg-Schwerin ....	1834	Honduras .....	1865
Portugal, Madeira, Porto Santo and Azores.....	1836	Haiti .....	1866
Tuscany .....	1836	Dominican Rep. ....	1867
Venezuela .....	1836	Nicaragua .....	1868
Greece .....	1838	Madagascar .....	1868
Sardinia .....	1839	Italy .....	1871
Holland .....	1839	Japan .....	1872
Hanover .....	1840	France* .....	1873
Portugal .....	1840	Salvador* .....	1874
Ecuador .....	1842	Peru* .....	1874
Cayenne .....	1842	Belgium* .....	1875
Sicily .....	1845	Korea .....	1882
Belgium .....	1846	Madagascar* .....	1883
Hanover* .....	1846	Spanish Islands .....	1886
Oldenburg* .....	1847	Spain* .....	1887
		Peru* .....	1888
		Tobago .....	1891
		Philippine Islands .....	1898
		Japan .....	1898

\*Extension or renewal.

<sup>10</sup>From Tariff Laws, and Congressional Record, Feb. 13, 1907.

The original intent of shipping reciprocity was to benefit American shipping, but its ultimate effect in this respect was detrimental. It was the American marine and not those of foreign nations which declined in the subsequent free competition. Though there may have been considerable decline even if shipping protection had been retained, the force of competition was greatly increased by the introduction of shipping reciprocity.

*Reciprocity Treaties and Agreements.*—During the later period of tariff legislation the most important provisions enacted with the intent of promoting foreign commerce were those providing for commercial reciprocity. An examination of Table III will indicate that the first treaty of this character was negotiated with Canada and took effect in 1855. It provided for commercial reciprocity on a large number of agricultural and forest products.

This treaty favored Canada more than the United States. It was negotiated at the time when protectionism was almost extinct, and was intended as the first step toward free trade.<sup>11</sup> With the exception of rice, cotton, tar pitch, turpentine and tobacco, practically all the articles included in the treaty were those of which Canada had a surplus. The manufacturing products which the American exporter desired to market in the provinces were not included in the treaty provisions, and in order to replenish the revenue lost because of the free trade in agricultural products, Canada at once increased the tariff on those of the manufacturing industries. During the years from 1855 to 1859 the rates on molasses were increased from 16 to 30 per cent, on boots and shoes from 12.5 to 25 per cent, and on cotton, woolen, silk and iron goods from 12.5 to 20 per cent.<sup>12</sup> Imports from Canada increased rapidly, but the effect upon the market for the products of the United States was unfavorable.

When, in 1866, the renewal of the treaty was under consideration, hostile sentiment had become so strong that it failed. The main reasons for this hostility were: (1) Public sentiment had returned to protection, (2) there was a strong sentiment against Canada and Great Britain because of their attitude during the Civil War, (3) the Southern Party in England was attempting to weaken the relations of the United States with Canada, (4) special interests were

<sup>11</sup>Stanwood, *American Tariff Controversies*, Vol. II, p. 136.

<sup>12</sup>Laughlin and Willis, *Reciprocity*, p. 46.

TABLE III.  
*Reciprocity Treaties and Agreements.*

<i>Nature.</i>	<i>Country.</i>	<i>Effective.</i>	<i>Terminated.</i>
Treaty .....	Canada .....	November 16, 1855 .....	November 17, 1866
Treaty .....	Hawaiian Islands .....	September 9, 1876 .....	April 30, 1900
Agreements under Sec. 3 McKinley Act .....	Brazil .....	April 1, 1891 .....	August 27, 1894.
	Santo Domingo .....	September 1, 1891 .....	
	Great Britain for:		
	Barbados .....	February 1, 1892 .....	
	Jamaica .....	February 1, 1892 .....	
	Leeward Islands .....	February 1, 1892 .....	
	Trinidad and Tobago....	February 1, 1892 .....	
	Windward Islands (Ex- cepting Grenada) .....	February 1, 1892 .....	
	British Guiana .....	April 1, 1892 .....	
	Salvador .....	February 1, 1892 .....	
	Nicaragua .....	March 12, 1892 .....	
	Honduras .....	May 25, 1892 .....	
	Guatemala .....	May 30, 1892 .....	
Agreements under Sec. 3 of Dingley Act .....	Cuba and Puerto Rico .....	September 1, 1891 .....	Still in force.
	Germany .....	February 1, 1892 .....	
	Austro-Hungary .....	May 26, 1892 .....	
	France .....	June 1, 1898 .....	
	Germany .....	July 13, 1900 .....	
	Portugal, Azores, Madeira.	June 12, 1900 .....	
	Switzerland .....	June 1, 1898 .....	
Treaty .....	Italy .....	July 18, 1900 .....	Still in force.
	Cuba .....	December 27, 1903 .....	

\*Unless extended by an agreement now being negotiated.

"pressed by Canadian competition, forcing them to reduce prices to the consumer where otherwise they would have found it easy to maintain them,"<sup>13</sup> and (5) the United States had drawn the short end in the commercial arrangement.

The treaty was not commercially satisfactory, but the political influences mentioned played an important role at the time of its discontinuance. Charles F. Adams went so far as to say that "all these measures (for discontinuance) were the result rather of a strong political feeling than of any commercial consideration."<sup>14</sup>

The Hawaiian Reciprocity Treaty which became effective in 1876, and which was renewed with but slight changes in 1887, continued until the annexation of the islands, and, in striking contrast with the Canadian experiment, was both politically and commercially successful. It placed practically all the products of the Hawaiian Islands upon the free list, and practically all American exports to the islands, especially those of the manufacturing industries, were likewise admitted free of duty. Immediately after the treaty became effective, the export trade with Hawaii increased from \$662,164 in 1876 to \$1,272,949 in 1877, and the import trade from \$1,376,681 to \$2,550,335. Throughout the twenty-two years of the treaty's life both the import and export trade increased with but few interruptions.

But the chief aim of the treaty was political. The opinion was commonly expressed at the time of its negotiation that unless the United States secured control of the islands they would fall into the hands of Great Britain. They were desirable as a stepping stone to the markets of the Orient, and it was hoped that the treaty would finally result in annexation. The clause which prevented Hawaii from extending similar privileges to other nations, and the free entrance of all her chief products were highly instrumental in confining Hawaiian commerce almost exclusively to the United States, and in causing an extensive investment of American capital in Hawaiian sugar plantations and general industries.<sup>15</sup> When this was accomplished, the political annexation was but the climax to the successful termination of the reciprocity treaty.

These, however, were but isolated treaties, and no general provisions for reciprocity were enacted until 1890. The movement was

<sup>13</sup>Laughlin and Willis, *Reciprocity*, p. 64.

<sup>14</sup>House Ex. Doc. Thirty-ninth Cong., 1st Sess., Vol. I, Part I, p. 111.

<sup>15</sup>Laughlin and Willis, pp. 83-84.

supported by Secretary Blaine, who, even at this time, when the manufacturing surplus was relatively small, said: "I wish to declare the opinion that the United States has reached a point where one of its highest duties is to enlarge the area of its foreign trade. . . . I mean the expansion of trade with countries where we can find profitable exchanges." These countries he believed were Mexico and the republics of Central and South America. His aim was to inaugurate free trade in the Western Hemisphere on a large number of articles.

Though the reciprocity desired by Secretary Blaine was defeated by the special interests representing wool, copper, wood and ores,<sup>16</sup> the sentiment favoring an extension of the foreign markets succeeded in enacting a provision for limited retaliation. Section 3 of the McKinley Act provided that if the President believed that any nation, exporting sugar, molasses, coffee, hides or "any such articles," imposed duties upon American products which he considered reciprocally unequal, he might remove these imports from the free list and impose upon them the duties specified by law. As is shown in Table III, under this section of the McKinley Act, agreements were formed with Germany, Austro-Hungary and various countries of the West Indies and Central and South America.

The effect of these agreements was, however, but slight, because all were virtually abrogated by the Wilson Act of 1894. Germany removed the restrictions against American meats and levied the conventional German tariff on most of the agricultural imports; and Austro-Hungary extended "most favored nation" treatment to American products. The trade with both of these nations was favorably affected,<sup>17</sup> but of all the agreements with the West India Islands and Central and South America, the Cuban agreement alone resulted in an increased trade. The remainder of these markets were as yet so undeveloped and were so lacking in the essential commercial machinery that it would be unreasonable to expect a spontaneous response to tariff arrangements which lived but two or three years. The McKinley agreements contained the basis for an expansion of foreign commerce, but their existence was terminated by the approaching wave of free trade agitation.

When, four years after the enactment of the Wilson Act, the

<sup>16</sup>Stanwood, II, p. 280, Speech of Sen. Gibson, of Louisiana.

<sup>17</sup>U. S. Commerce and Nav. Repts. 1892-1894.

Republican party was overwhelmingly re-elected, protectionist sentiment had reached its climax. Though there was again a demand for increased foreign markets, protectionism was so strong that the reciprocity provisions of the Dingley Act were distinctly weaker than those of seven years prior. The first part of section 3, which was intended for France and Germany, provides that the President may negotiate reciprocity agreements by reducing the tariffs upon argols, crude tartar, wine lees, brandies, spirits, champagne and sparkling wines, still wines, vermouth, paintings and statuary. The second part of this section contains an equally scanty list of articles—coffee, tea, tana beans, vanilla beans or “any such articles”—and was inserted to favor the Central and South American republics. Besides these provisions, the present tariff law contains a section, which upon paper appears far-reaching, but which in reality was inserted rather for policy than for expected results. Section 4 provides that the President may negotiate reciprocity treaties with any nation,—but he may not go below 20 per cent of the Dingley rates, and such treaties must be concluded within two years and must be ratified by Congress.

Under section 4 of the Dingley Act, eleven treaties<sup>18</sup> were successfully negotiated, but not one was ever ratified by the Senate. But under section 3, in spite of the meagerness of its provisions, agreements were made with Germany, France, Italy, Portugal and Switzerland. Germany again removed the restrictions from American meats, and granted the full conventional tariff to the great bulk of imports from the United States. The agreement with France extended the French minimum tariff to a limited number of American agricultural products. The Italian and Portuguese agreements were based upon a limited number of both agricultural and manufactured products; and the Swiss agreement, which was abolished was based upon the “most favored nation” clause of the commercial treaty of 1850. The export trade<sup>19</sup> with Germany has increased from \$184,648,094 in 1900 to \$191,271,367 in 1905, and that it is partly due to the agreement which will end on June 30, 1907, unless further extended, is unquestionable. But, on the other hand, the agreement with France is handicapped by the meagerness of its own

<sup>18</sup>These treaties, known as the Kasson Treaties, were with Jamaica, Turks and Caicos Islands, Barbados, Bermuda, British Guiana, Dutch West Indies, Dominican Republic, Nicaragua, Ecuador, Argentina and France.

<sup>19</sup>U. S. Commerce and Navigation Reports, 1900 and 1905.

provisions, and in recent years American exports to Italy and Portugal have sharply declined.

The last reciprocal tariff arrangement entered into by the United States is the Cuban treaty of 1903. Cuba, by her position, is commercially bound to the United States; yet, largely because of Spanish possession aided by prohibitive Spanish tariffs, the natural tendencies of trade were for decades so diverted that, though Cuban merchants found their chief market in America, they bought but few American products. Even as late as 1904 the United States marketed 83.6 per cent<sup>20</sup> of Cuba's exports, but furnished only 42.7 per cent of her imports. Political enthusiasm was doubtless an important factor in the negotiations, but there was also a permanent desire, especially from the standpoint of exports, to stimulate the American trade with Cuba.

To accomplish this it was soon found that the Dingley Act was inadequate, and the negotiations resulted, not in an Executive agreement limited to a scanty list of commodities, but in a very complete and closely woven treaty. The United States agreed to admit all dutiable products of Cuba at a reduction of 20 per cent of the general tariff rates. Cuba agreed to admit a long list of enumerated American products at reductions of 25, 30 and 40 per cent, and all other dutiable goods at a reduction of 20 per cent. Both the United States and Cuba, moreover, mutually agreed that the concessions granted in the treaty should be distinctly preferential and should be extended to no other nation.

The growth of trade with Cuba in recent years has been almost spectacular,<sup>21</sup> and was effectively stimulated by the treaty. In 1900 the imports from Cuba were valued at \$31,371,704, and in 1905 at \$86,304,259. Similarly, in 1900, the exports of American products to Cuba were valued at \$25,236,808, and in 1905 at \$36,407,932. While the Cuban treaty clearly indicates what can be accomplished by framing tariff provisions with the intention of promoting foreign trade, it is an isolated and exceptional instance, as the trade with Cuba comprises but 4.7 per cent of the total foreign commerce of the United States.<sup>22</sup>

*Miscellaneous Provisions.*—As is shown in Table I, numerous miscellaneous tariff provisions, designed to promote foreign com-

<sup>20</sup>U. S. Commerce and Navigation Report (1905), pp. 34-35.

<sup>21</sup>*Ibid.*, 1900-1905.

<sup>22</sup>*Ibid.*, 1905, p. 44.

merce have been enacted from time to time. From the very beginning, re-export drawbacks were granted. At first they were limited both as to the number of articles and as to time, but in 1861 a general re-export drawback of 90 per cent was established. In 1890, under the McKinley Act, it was provided that if raw products were imported, and then manufactured and re-exported, 99 per cent of the original duty paid shall be refunded; and this provision was renewed in all subsequent tariff laws. Likewise, from time to time, regulations were made for the bonding of goods in transit. In 1864 treaty arrangements were made with Japan whereby certain articles were placed upon the Japanese free list and others were given a tariff of five per cent. Three years later the commercial treaty with Madagascar extended the "most favored nation treatment" to American products. In 1871 a treaty with Great Britain removed discriminating tonnage charges on the Great Lakes and various Canadian canals and rivers, and in 1892, in order to enforce this treaty, retaliatory tolls were levied upon vessels going through the St. Mary's Falls Canal to Canada. Both the Wilson and Dingley Acts permit articles for the building of vessels designed for the foreign trade to enter free of duty; but this has never had an appreciable effect because it is at the same time provided that such vessels can engage in the coastwise trade but two months annually. Both of these laws, further, permit articles needed for the repair of vessels engaged in the foreign trade to enter free of duty. Finally the Dingley Act provides that the petroleum, binding twine and sulphuric acid of no nation which discriminates against the American product shall be upon the free list; yet this again has but a meager effect, because the United States imports but an insignificant quantity of such commodities. Other provisions, enumerated in Table I, were at various times enacted, but all are distinctly a secondary factor in the general tariff schedules.

*Conclusion.*—From an analysis of the tariff schedules it becomes evident that, throughout the entire tariff history, provisions have been inserted for the purpose of promoting foreign commerce. During the first period of tariff legislation the chief provisions of this character were those designed to promote the Oriental trade and to protect American shipping. During the later period the reciprocity treaties and agreements were of primary importance as regards foreign commerce. It is, moreover, evident that, when considered

by themselves, provisions of this character were both numerous and not without appreciable effect.

When, however, these provisions are regarded as part of the aggregate tariff system, both their number and effect are strikingly unimportant. The predominating factor has been protection, and from the commercial standpoint this has always been framed to promote the domestic rather than the foreign market. As early as 1791, Alexander Hamilton argued that a foreign market is both small and unstable, and that a "domestic market is greatly to be preferred."<sup>23</sup> When, after the War of 1812, the infant industries were threatened by a flood of foreign imports and the farmers were complaining of an unstable market for their products, the home market argument was actively propounded. It reached its first climax in 1820, when the demand for a domestic market drew the western and middle agricultural interests in favor of protection.<sup>24</sup> The intent of tariff legislation as regards foreign commerce during the entire period before the reaction of 1846 is expressed in the words of Henry Clay: "It is most desirable that there should be both a home and a foreign market. But with respect to their relative superiority I cannot entertain a doubt. The home market is first in order and paramount in importance."

From 1846 to 1861 there was a free trade reaction, but as soon as the protectionist forces successfully rallied the old preference for the domestic market again appeared with its accustomed vigor. Even during the first administration of President Cleveland the home market argument was successfully appealed to. The McKinley Act, likewise, though it contained the most important reciprocity provisions ever enacted by Congress, was manifestly protective. Professor Rabenno writes: "The predominating characteristics of the famous McKinley 'Bills' is a spirit of absolute aversion to foreign imports and to international trade."<sup>25</sup> Finally the present tariff law was enacted when protectionism was at its height; its reciprocity provisions are decidedly weaker than those of 1890, and its opposition to foreign imports is decidedly greater.

In one respect protection has indirectly resulted in an increase of exports, as for twenty-five years an increasing proportion of

<sup>23</sup>Report on Manufacturers (1791), p. 33.

<sup>24</sup>State Papers, Finance Volume for 1820; Annals of Congress, 1st Sess., 1820, Appendix, etc.

<sup>25</sup>American Commercial Policy p. 206.

America's exports have consisted of manufactured products. In 1880 this proportion was 12.5, but by 1905 it had increased to 36.45 per cent.<sup>26</sup> Whatever influence, therefore, protectionism has had upon the growth of this manufacturing surplus, has indirectly resulted in a greater export trade. The influence, however, has been in the creation of the products and not in providing them with a foreign market.

Though numerous provisions were inserted into the tariff schedules for the purpose of promoting foreign commerce, in the aggregate the American tariff policy was not designed to facilitate commercial relations with foreign countries. In view of the widespread adoption of dual tariff systems by foreign nations, it is evident that in no important nation, which recognizes protection, do the tariff schedules give so little cognizance to foreign trade as in the United States.

<sup>26</sup>U. S. Commerce and Navigation Report, 1905.